

C/IMS S/OL

13 February 1984

MEMORANDUM FOR: Assistant Director for Policy and Planning
Office of Finance

FROM:

[REDACTED]
Chief, Procurement Management Staff
Office of Logistics

SUBJECT: Grace Commission Task Force Report on
Financial Asset Management

REFERENCE: Memo for C/P&PS/OL from ADPP/OF, dtd 31 Jan 84,
same subject (ADPP 20-84)

1. Your office has requested by the referent memorandum our thoughts on the Grace Commission recommendation, Asset 1-1, which recommends that DOD scale back progress payment rates to the February 1981 levels of 80 percent for not-small businesses and 85 percent for small businesses. The Grace recommendation goes through a complex analysis of changes in profit rates over several years and the impact that allowing facilities cost of money has had on the overall profitability of the contractors' dealings with the government.

2. It has been our policy to follow DOD in almost all of our contract procedures and especially in the area of progress payments. Without going through the machinations that Grace has gone through, let me say that we would support the DOD recommendation. We would note also that a great deal of resistance should be expected from the contractor community when they have been used to higher progress payments than those now recommended. It would be my guess that the contractor community will mount a lobby to DOD and to the Congress which will prohibit reducing progress payments. At such time as the final implementation of the recommendation is complete, we will modify our procurement procedures to conform to the new requirement. Please advise if additional information is necessary.

Attachment:
Reference

cc: C/CSAD/OF



OL 5011-84

any thought
31 JAN

ADPP 20-84

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MEMORANDUM FOR: Chief, Policy and Planning Staff
Office of Logistics

STAT FROM:

[Redacted]
Assistant Director for Policy and Planning, OF

SUBJECT: Grace Commission Task Force Report on Financial Asset
Management

REFERENCE: Memo for Director of Finance from DDA, dated 19 January 1984,
Same Subject

1. We would appreciate receiving your comments on the attached excerpt from the subject report relating to Department of Defense contract financing. Your comments are desired in the context of the applicability and/or acceptability of the recommendation for savings as applied to contracts executed by the Agency (including National Program contracts).

2. We will appreciate receiving your comments by 10 February 1984, if possible, so that we may respond to the reference request for comments on the overall report by 24 February 1984.

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Attachment As Stated